



Health Policy and Program Support

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December 16, 2008

AGENDA ITEM 3a

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Update on Partnership for Change
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. BACKGROUND:**

The CalPERS Board of Administration approved the *Partnership for Change* Initiative in 2005 to promote value in hospital care and help moderate costs. The goal is to establish a transparent and well-functioning marketplace where hospitals will compete for business on the basis of the quality and cost of the services they deliver.

This agenda item updates the two components of *Partnership for Change*: the quality component -- the California Hospital Assessment and Reporting Taskforce (CHART); and the cost-efficiency component -- the Hospital Value Initiative (HVI).

California Hospital Assessment and Reporting Taskforce

CHART is a collaborative effort to publicly report hospital clinical quality and patient experience measures, led initially by the University of California, San Francisco (UCSF) and the California Health Care Foundation (CHCF). CHART received initial funding from participating health plans and a start-up grant from CHCF. After expending the original funding, the health plans agreed to provide ongoing funding for the project.

The hospitals agreed to support CHART by voluntarily collecting and reporting quality measures to UCSF, which contracted with CHART to do the analysis.

The CHART objectives are to:

1. Stimulate improvement in the quality of hospital care, and

2. Provide consumers and purchasers the information they need to identify the highest quality hospitals.

CHART launched its CalHospitalCompare Web site, CalHospitalCompare.org, on March 6, 2007, reporting on 50 performance indicators of patient experience and clinical quality for 209 hospitals, comprising approximately 80 percent of the average daily occupied hospital beds in California.

CHART Update

- CHART is now an official member of the California Chartered Value Exchange (CVE), a new designation by the U.S. Department of Health and Human Services. A “Value Exchange” is a multi-stakeholder organization that has taken clear action in its community to convene industry stakeholders and advance the four cornerstones of Value-Driven Health Care:
 - Interoperable Health Information Technology (Health IT Standards);
 - Measure and Publish Quality Information (Quality Standards);
 - Measure and Publish Price Information (Price Standards); and
 - Promote Quality and Efficiency of Care (Incentives).
- As of November 30, 2008, 224 hospitals are reporting data. These 224 hospitals, rated on the CalHospitalCompare.org Web site for quality, timeliness of care, patient experience, and adherence to recommended patient safety practices, account for over 80 percent of hospital admissions in California.
- The Internal Revenue Service accepted CHART as a 501(c)(3) non-profit corporation.
- The hospitals agreed to provide direct funding for the project in exchange for the health plans working together with hospitals to coordinate data requests outside CHART.
- United Health/PacifiCare officially notified CHART that it will no longer provide funding for the project. Because CHART did not receive the notification until more than half way through the budget year, a significant gap in funding the project occurred. United’s share of the support was \$186,386. Hospital funding will make up the difference for 2008.
- Health plans continue to work on quantifying savings attributable to improvements in the quality of hospital care, indicated by improvement in the quality measures.

- CHART identified additional measures to calculate and report using hospital administrative claims data from the Office of Statewide Health Planning and Development (OSHDP). Because the data contained confidential information, OSHDP was initially reluctant to allow access even though UCSF completed all the steps necessary to obtain such data. After some discussion, OSHDP will release most of the information requested.
- The New Measures Subcommittee continues to present new quality measures for the Board's consideration.

Hospital Value Initiative

In 2005, CalPERS, the Pacific Business Group on Health (PBGH) and the California Health Care Coalition began collaborating with several health plans to use their hospital claims data to determine risk-adjusted pricing at the major service line level (e.g., orthopedics, cardiac, maternity.)

HVI's goal is to recommend cost-efficiency metrics to be used in combination with CHART's quality measures to assist purchasers and consumers in making informed health care decisions.

In October 2006, the hospitals objected to publicizing paid claims information and threatened the health plans with lawsuits, arguing that publication of claims payment data is a violation of antitrust law.

HVI filed a request for a business review letter with the federal Department of Justice (DOJ) on November 15, 2007 in response to the hospitals unwillingness to cooperate.

HVI Update

CalPERS' outside counsel, PBGH and CalPERS have been working to respond to questions from the Department of Justice. In late Spring 2008, DOJ Staff Counsel requested three significant items of additional information as follows:

1. A description of potential uses of HVI data;
2. Specifics on the proposed data analytic methodology; and
3. Detailed plan enrollment and market share data in the HVI-designated regions.

CalPERS staff, working with PBGH, complied with the first two requests in July 2008. The third item turned out to be extremely difficult to provide. After an extensive effort, PBGH provided the requested information to the DOJ on November 21, 2008.

We are now awaiting a final determination from DOJ.

V. STRATEGIC PLAN:

This item supports CalPERS Strategic Plan Goal 12 – “Engage and influence the health care marketplace to provide medical care that optimizes quality, access, and cost.”

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